

Health Saving Accounts (HSA) Helpful Hints

References:

Publication 969, Health Savings Account and Other Tax-Favored Health Plans
Form 8889 and Instructions, Health Savings Accounts

Do not rely on this document alone. Refer to HSA references to provide assistance.

How will you know if the taxpayer has an HSA issue?

- The Intake/Interview sheet has the Yes or Unsure HSA box checked
- The taxpayer's (or spouse's) Form W-2 has a box 12 entry of code W for employer contributions. Form 8889 should populate in the forms tree of the tax software. **[Caution]** – Contributions to an employee's account through a Section 125 (cafeteria) plan are treated as employer contributions and are not deductible.]
- The taxpayer (or spouse) has a Form 1099-SA with an X in box 5 showing distributions from an HSA.
- The taxpayer (or spouse) may receive Form 5498-SA for their HSA contributions. If taxpayers do not have this form they can provide the information regarding HSA contributions based on their records.

What do you need to know about Form 8889, Health Savings Accounts?

Tax Software Tip: If you realize you need the Form 8889 to report HSA activity, and it does not show up in the forms tree in the software, link to the Form 8889 from Form 1040, line 25.

Line 1 – Select the appropriate (HDHP) coverage for the taxpayer: **self-only or family**. This determines the maximum HSA contribution limits.

Line 2 – Employee contributions are entered on Line 2. Contributions by relatives or friends are considered to be made by the taxpayer. **Do not** include employer contributions on this line.

The account holder needs to tell you how much was put in the HSA, because they might not have received the Form 5498-SA by the time they're preparing their tax return. Form 8889 will calculate when there are excess contributions. **Caution:** If excess is not withdrawn by due date of return then it is out-of-scope; refer the taxpayer to professional tax preparer.

Line 6 – Usually the same as the Line 5 calculated by tax software. Taxpayers need to know whose name is on the HSA account (taxpayer or spouse). There is no such thing as a "joint HSA account". If both taxpayer and spouse have HSAs, and had family coverage under an HDHP, refer to the Instructions for line 6. On the tax software, use the Help option to review the Form 8889 Instructions.

Line 7 – Age 55 or older, look up "catch up" contribution limits in Form 8889 Instructions.

Line 14a – Enter HSA distributions here. Ask the taxpayer for Form 1099-SA, with the HSA box checked. If not an HSA distribution, refer to the taxpayer professional tax preparer.

Line 15 – If all distributions were used for unreimbursed qualified medical expenses, enter the same amounts as line 14a. See Pub 17, Chapter 21 for qualified medical expenses except insurance premiums. NO insurance premiums except Medicare, LTC (with limitations), or while receiving unemployment compensation or on COBRA. No over-the-counter medicines without a prescription (except for insulin). Taxpayers cannot take a deduction on Schedule A for any amount included on line 15. Long-term care cost limits are:

\$370 if under 40
\$700 if 41 - 50
\$1,400 if 51 - 60
\$3,720 if 61 - 70
\$4,660 if over 70.

Lines 16, 17b – If HSA distributions were not used for qualified medical expenses these lines must be completed. The tax software auto calculates these lines, if applicable.

Line 17a – If taxpayer meets one of the exceptions to the additional 20% tax, check the box on line 17a. Exceptions are: age 65, disability, or death. See Form 8889 instructions for more information on the exceptions to the additional tax.

Lines 18-21 (Part III) – Out-of-scope.